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ABSTRACT

This handbook is intended to help people with disabilities gain an understanding of their options in deciding where to live and with whom to share their lives. The focus of the book is on people seeking housing options in Illinois, but the book is designed to be applicable elsewhere. Chapter 1 outlines the importance of many components of community living, such as income, daily activities, relationships with others, community support, and a home. Chapter 2 examines ways that people meet and form relationships, how compatibility is determined, how to make the decision to live with another person, and how to get along with others. Chapter 3 concentrates on the ability to control one's home by buying or renting a place through housing cooperatives, family trusts, and condominium and shared housing programs. Chapter 4 analyzes real estate fundamentals such as financing, zoning, interest, and taxes. Chapter 5 offers assistance in budgeting for a home; income and the possibility of cost sharing with someone else are also reviewed. Chapter 6 discusses rental subsidies and low-interest mortgages available in Illinois. Appendixes provide forms to determine rental costs, ownership costs, and monthly mortgage expenses and a list of housing organizations in Illinois. (JDD)

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"Your Place or Mine?"

A Handbook for

Home Ownership

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Preface

A Place To Call Home

A Place Called Home

Before You Begin

This is a book about possibilities. It is designed to challenge many of the misconceptions society has about people with disabilities and their ability to own or control a place they can call home. Home ownership for any citizen brings pride, a sense of belonging, the potential for economic gain and control over our living space. Home ownership isn't easy. But with the right planning, many obstacles can be overcome and people can achieve their dream of having their own home.

This Handbook is dedicated toward the improvement of life for citizens with disabilities in their communities. We believe that can best be achieved when people make informed decisions about where they live and about the people they share their lives with in the community. As a result, this book is intended to help people develop relationships and gain an understanding of the options available to people in creating places they call home.

In writing this Handbook we realized that some people might have a tough time understanding this topic. But renting or buying property **is very complicated**. So for many of you, you will need help in going through this book. You will need to sit down with a friend, family member, housing organization or someone who is familiar with renting or owning property to discuss these issues. That's OK because some of these decisions are best made with others.

The focus of this book is on people seeking housing options in the State of Illinois. The Illinois Planning Council on Developmental Disabilities funded us to conduct the research and write the Handbook. They are to be commended for their innovative effort.

Throughout the Handbook, we will, wherever appropriate, talk about programs and issues in the State of Illinois. That is not to indicate that the content or nature of the book could not be applied elsewhere in the country. Readers from other states should contact specific agencies mentioned for updates on the same issues.

There are several people who need to be thanked for their participation in this adventurous task. The Illinois Planning Council on Developmental Disabilities, specifically, Cathy Ficker-Terril, Sue Peterson, Rosalie Steinhour and Kerry Flynn, who provided a great deal of latitude in our creative content as well as funding for this book. Thanks to our reader panel including Bob Perske, Bob Williams, Harold Mayo, T.J. Monroe, Paul Carling, Vicki Caruso, Rud Turnbull, Derrick Dufresne, Gunnar Dybwad and Ric Crowley for their excellent insight, artful suggestions and great feedback. And to the Institute on Disabilities at UNH, specifically Jay Klein for his creative suggestions and superb editing. Without assistance from those involved in this project, it would still be on the planning board.

And thanks to Michael Desmond, one of our colleagues at Creative Management Associates, for his many hours of writing, re-writes and editing. Michael's many, many suggestions spurred ideas that formed the basis of the Handbook's content.

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"Your Place or Mine?"

A Handbook For Home Ownership

Content Outline

Chapter 1 We all need a place to call home!

People need income, something to do during the day, relationships with others, community support and a home. This chapter outlines the importance of each area as a part of community living.

Chapter 2 At home in the community

This chapter is about relationships; how we determine compatibility, whom we choose as friends and how we might make the decision to live with another person. It also talks about trust and getting along with others. In this chapter we talk about ways people meet and form relationships and it includes a listing of places people are likely to meet others, offering suggestions of places to go and things to do in communities. Last, we pose a wide variety of questions that might help people decide whether to live together.

Chapter 3 Control of housing is important

The major issue in property "ownership" is the ability to "control" or direct the place you call home whether that is by buying a place of your own or by controlling a piece of property through renting. To demonstrate the possibilities, several examples are provided including housing cooperatives, family trusts, condominium and shared housing programs.

Chapter 4 Fundamentals of real estate

This chapter talks about the basics of real estate like "Who can own property?" or "What is zoning?". The intent is to provide the reader with a very basic understanding of the principles involved in property ownership. Topics include: ownership, financing, zoning, interest and taxes. Examples are provided to assist readers in understanding how much they can afford to spend on rent or property.

Chapter 5 Budgeting for your own home

In this chapter the reader walks through a basic budget for buying property or renting. Sample budgets are included to give the reader a better understanding of how money is spent. Issues like utilities (electric, cable, telephone, etc.), mortgage payments, leases, repairs and maintenance are discussed. The topic of income and the possibility of sharing costs with someone else is also reviewed.

Chapter 6 Housing help in Illinois

A brief discussion of possible ways to find rental subsidies and low interest mortgage rates in Illinois takes place in this final chapter. Topics like first time home buyer programs, rural programs with Farmer's Home Administration (FmHA) and working with local non-profit housing development agencies are outlined. Emphasis is place on the need for people to understand how complicated housing can be and to offer suggested ways to get help.

Appendix

A Budgeting for the place you rent (A step by step form to assist in determining your rental costs.)

Budgeting for the place you own (A step by step form to assist in determining your ownership costs.)

A money payment schedule (used to determine monthly mortgage expenses.)

B Housing Programs in Illinois (A listing of housing organizations available in Illinois)

Chapter One

We all need a place to call home!

We all need a place to call home!

You know, people are people. Sure, we are in many ways very different. We look different. We talk differently. We have different educational backgrounds. We live in different neighborhoods, in different types of homes and with different furniture. Some of us like country & western music and others like rock 'n roll. Some of us like baseball, some football, some soccer. Yes, in some ways, we are quite different. Our preferences make us different and that's ok. If we were all alike, life sure would be dull.

But in many ways we are all alike. Regardless of where we live, what car we drive or what type of music or sports we like, we all have several basic **needs** that must be met to fulfill our life in communities. Our basic needs are rather simple: we all need **income**, **something to do during the day**, **relationships** with people who we care about and with people who care about us, **support** from our community and **a place that is our home**. When we have all of these things, we have our own community and it is this sense of community that gives meaning to our lives. This Handbook is about how we can meet several of these needs.

We all need income

We need a source of income (money) to pay for the things that make living in the community better for us. For many people, having a job provides stable income. The longer we have a job the more secure the income. By working we often get other benefits like health and dental insurance coverage, paid vacations, paid sick time and the potential for pension funds or retirement income.

For many people with disabilities, the primary source of income is from benefits (payments) paid by the state and/or the federal government. Supplemental Security Income or "SSI" represents a source of basic monthly income, to help pay for "food, clothing and shelter" costs. Under current (1991) SSI rules, a person may receive up to $407 per month; one third for food, one third for clothing and one third for shelter costs. Once a person gets SSI, they usually qualify for "Medicaid" benefits. Medicaid is a form of health insurance which pays for medical services as well as many of the daily support services needed by people with disabilities.

Several states provide "supplements" or pay an added amount to SSI. For example, in California individuals receiving federal SSI ($407) could receive an additional amount up to $276 from the State raising their monthly total up to a maximum of $683.00. This additional income is generally available to those people who choose to reside in a home where the costs are higher than the costs of living with the person's family. A good example of this would be where a person lives with a foster family or in a licensed residential program. Places like these must meet certain "licensing" standards, so the state will pay additional costs. In some states the supplemental income to SSI is available to anyone who qualifies for federal SSI. Illinois is one of the states that **does not provide** a supplement to SSI.

Individuals receiving SSI can also earn money by working. There are limits on income so be sure to check with the SSI office so your earnings won't reduce your benefits. As a rule, **the more money you earn the more your benefits will be reduced.** After your

monthly earnings reach $65.00, you may begin to lose benefits. Remember, not only will you lose SSI as a source of income, but often you will lose Medicaid, the federal health insurance that pays for medical services and needed support services.

There is nothing under the SSI rules to prevent people with disabilities from owning their own home. As a matter of fact, SSI rules "exempt" or exclude the place you own (as long as you live there) from being counted as an asset. People receiving SSI **can own their own home, their own car and have a limited amount of money in the bank and other resources**. It is very important however, for you to check with the local Social Security office and make sure you understand the rules before you buy a house. Later in the Handbook (Chapter 3), we will discuss ways in which you can purchase a house within the income limitations of SSI.

We all need something to do during the day

Whether you work or not, it's good to have something to do during the day. Employment offers great opportunities to earn an income, form relationships with others and develop a sense of belonging in the community. By working we contribute to the economic strength of the community, we pay taxes and can find out about opportunities for better jobs. By working we can feel good about ourselves and do our part to contribute to the community.

Most people can also benefit from involvement in various day or evening educational programs designed to increase their physical capacity, job skills or community living skills. Many communities offer adult education courses. Others have courses on community living, such as; community survival skills like home economics,

shopping, meal preparation, money management and "how to" repair things around the house. Many people can benefit from joining volunteer groups or actively participating in social clubs or community centers. Whatever the activity, it is important to **participate as fully as possible in the community** and to take advantage of the many activities that are available.

We all need relationships with others

The ability to laugh, cry, be sad, tell others how we feel and hear how others feel, is important. When we don't have people to share these feelings with, we often keep them inside. Relationships with others are the best, healthy way to receive support and comfort. Having good relationships in our lives is vital.

Our relationships with people get stronger when we share our true feelings with them. The best relationships are with those we can rely on or trust when things are tough. For most of us these relationships come from family members (parents, brothers or sisters, close relatives, etc.), spouses or very close friends. For others, these important relationships are formed with the people living with us.

Many other relationships come from work and from people we meet during social activities. Through church, social clubs, volunteer organizations, educational programs and recreational events, opportunities may be available to form new relationships with others.

We all need support in our community

All of us need some kinds of supports from our community.

Community support can take many forms including the availability of:

- ❑ medical services (doctors, nurses or hospitals)
- ❑ public transportation (taxis, subways or buses)
- ❑ bankers, real estate professionals or attorneys
- ❑ visiting nurses, "meals on wheels" or homemaker services
- ❑ rehabilitation services (physical therapy, occupational therapy or speech therapy)
- ❑ case managers
- ❑ job training programs

What makes one community better than another is its ability to provide services that meet the needs of the people who live there.

From time to time we all use community services. People with disabilities may have need in addition to the services available to the rest of the community. These might include getting assistance in finding a job, getting support from people who "drop in" to provide training, help with chores or people who live with you. In addition, case managers may be available to assist you by coordinating your community support services. Without these supports, many people with disabilities would have a very difficult time making it in the community.

And we all need a home

Having a home is very important to all of us. At home we have the opportunity for privacy, relaxation and entertainment. Home is also a place where we invite others to share meals, music, television and our company. Without a home, the formation of important long-term or lasting relationships is difficult.

We often share the place we call home with others. Sometimes people live together to save money, meaning that without the income of two or three people, paying for housing would be too costly. Others live together because they have formed strong personal relationships, perhaps as close friends. Sharing housing with others, of course, can be a challenging experience as well. So it is important to select housemates with great care. Regardless of the reason, sharing a home can be both personally rewarding and a good way to save money.

Homes are usually located in communities near other people. Within our neighborhood, many opportunities are offered to meet new people and form important relationships. People who have lived in the same community or neighborhood for a long period of time may have valuable information to share with you. For example, neighbors may know the best places to go shopping, what restaurants offer the greatest value, where the best places to do laundry are and what buses go where in the community. Other neighbors may have had experiences with the best doctors, dentists or visiting nurse organizations. Still other neighbors may know whom to call for building maintenance, utility hookups or appliance repairs. Neighbors can offer much useful information. That's why neighbors are an important part of community living.

Summary

In this chapter we discussed how different we all are and those things that we all need from our community. Those of us who share the community will always need income, something to do during the day, relationships with others, community support and a home.

In the next chapter we will discuss the importance of relationships, not only as an important element of life in the community but critical as a factor in making decisions about where and with whom you will live. We will suggest ways in which you can meet people in your community, get to know them and hopefully develop positive relationships. We will suggest some questions you need to discuss with potential housemates before you make a decision to live together.

Chapter Two

At Home In The Community

At Home in the Community

Most people with a fixed income (meaning you get the same amount each month, such as SSI) or with a limited amount of income face a tough decision: the decision of whether they can afford to live alone. For a lot of people it will be very hard to earn enough money, even if you get some help from the state or some agency (like a mental health or community service agency), to cover the costs of housing. So for many people the decision to choose to live with a housemate is very likely. The idea of this chapter is to help you think about that decision before you make it.

Communities are about people

Communities create many opportunities to be around other people. In fact, that's what communities are all about, people living, working and playing together. Just about everything you do in the community involves other people. Whether you go shopping, to church, take public transportation or simply walk down the street, the likelihood of running into someone is pretty good. The more you participate in the activities of a community, the more likely you are to get to know people.

We all need people in our lives. When we fail to connect to others, we become "isolated" or separated from the community and all the good things it has to offer. Without others in our lives, life in the community can be very lonely.

Meeting others

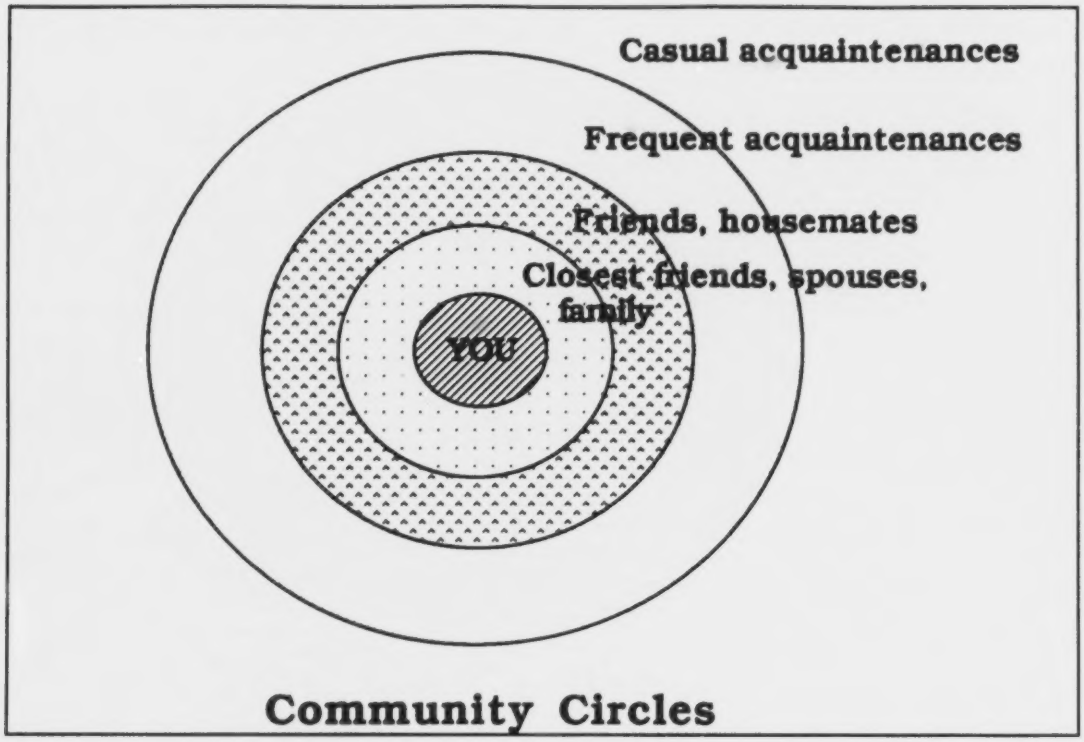
People come in all shapes and sizes. Some people are good and

some are bad. There are people who are kind and friendly and there are people who are not. Getting to **know** people in your community is very important. Getting to develop **relationships** or, according to the dictionary, being "connected" with them, is even better.

Learning to tell the difference between people you simply **know** and people with whom you wish to develop a personal **relationship** is probably one of the most difficult things to learn in the community. Not everyone you meet is necessarily your friend or interested in developing a positive or a long term relationship with you.

Several years ago, some friends, Marklyn and Leslie, developed a training program called Circles. The intent of Circles was to help people learn about relationships and understand that not everyone you meet should be treated the same way. Circles taught people to learn the difference between those they wished to develop close relationships with and those they did not.

Take a look at the following example of what Circles training program looks like. Picture yourself in the middle of the circles. The circle nearest to you represents those closest to you such as friends, perhaps a spouse or family, but only those we feel most comfortable with in our lives. The next circle of people could be housemates, other friends or people we occasionally do things with or with whom we share common interests. Beyond that circle are those we may meet at work or get to know by name in the community. And lastly, outside of the circles, are people we may meet from time to time or maybe just once.



Community Circles

Types of relationships

As Circles pointed out, there are big differences between each of these kinds of relationships.

Casual acquaintances

We all develop **casual acquaintances** with people in our communities. These are people you are likely to meet on the street, at the grocery store, at the ball game or some other place. You really don't know much about them, and they don't know much about you. You might say "hello" or ask them how they are, but you're not likely to share any information about yourself or where you live or what you do. They are not people you will spend much time with; you might just say hello or smile or wave when you see them in the

community.

Frequent acquaintances

The more you get to see people and know who they are, the more opportunity there is to develop a closer relationship. **Frequent acquaintances** might include people you see once a week or every day. They might be the neighbor next door in your apartment building or the person you see daily at work. You might talk with them about your favorite sports team, your vacation or your other interests. These frequent contacts can develop into closer, more lasting relationships if you find you have things in common with the other person. Perhaps you decide to go to a movie together, for a bite to eat or bowling some evening. Those situations provide a good opportunity for you to test out the relationship.

Friendships

After you've spent some time with another person or a group of people, you are likely to develop **friendships.** Friends are people you are willing to spend time with, whom you can trust with private information about yourself, your family, your job and your opinions. Friends often share things in common. For example, they might like the same types of movies, like to go to the same community centers, share the same sporting interests or like the same type of music. Being with friends offers great opportunities to do things in the community together and to meet other people who share similar interests.

Friends also represent people whom you are most likely to share living expenses within an apartment or a house. You are likely to ask friends to share the place you call home because you get along

with them and have similar interests or like to do things together. Living with someone who does not like any of the things you do, will probably not work. Without similar lifestyles and interests, you are bound to have conflicts. That's why it's so important to get to know someone before you make a decision to live with that person.

Family, spouses and long term friends

We get closest to our **family, spouses and long term friends**. With those closest to us, we share some of the best times and worst times of our lives. We often feel most comfortable talking about our anger, joy or sadness with close friends. The best and closest friends are those willing to continue the friendship regardless of the ups and downs either one may experience. The longer you have close friends, the more information about yourself you may be willing to share because you've learned to trust them. As you get close to others, they also learn to share information about themselves with you. The more you trust someone the less worried you get when you tell them something they may not want to hear.

Most people never develop a large number of best friends or very close family members. That's ok. If we had a large number of best friends, for example, would they all be **best** friends? Probably not, because "best" means, better or more important than others. Best friends are those we can always count on when we really need some help. They can also learn to count on you. Once you have a best friend, that friend will most likely be yours forever.

We rely on people we trust when we have important decisions to make in our lives. The closer people are to us, the more we rely on their advice and guidance. The decision about where you live will be

difficult, so you will need to talk with those closest to you, your family, spouses and friends about your options. Take your time and have as many discussions as you feel are needed.

Opportunities to develop relationships

Many relationships come from work and through acquaintances we meet during community activities. Through church, social clubs, volunteer organizations, education programs and recreational opportunities, many chances are offered to form new and lasting relationships with others.

As we discussed earlier, before we can form relationships we have to meet and get to know people. Some of us will need encouragement to get involved in the first place, but every community has opportunities to meet other people. The following outlines some of the places you are likely to meet and get to know others:

Where to meet people at work

- at your job location
- on the bus to work
- at the time clock
- sharing a ride to work
- on a work team
- at the water fountain
- in the lunch room
- in the locker room
- on payday
- sharing a tough job
- listening to the same radio station
- at the company softball game or on the bowling team

Where to meet people in the community

- on a bus
- at church or church socials

at a recreation center (YMCA)	at a ball game
at a grocery store	at a community center
at a restaurant	at a group meeting
at your favorite hobby club	in your apartment building
at your housing cooperative	at a community park
at a senior center	by joining organizations
through weight watchers	at festivals, carnivals or fairs
with singles groups	in sports leagues (softball, etc.)
at school programs	by volunteering
at a community pool	by camping
at a shopping center	going for walks

Meeting people is often just a matter of beginning a conversation or just saying hello. Sometimes it's difficult to start a conversation. Here are some ways to begin a conversation:

- ❑ making positive comments about clothing a person is wearing
- ❑ discussing types of music that you like or dislike
- ❑ talking about your favorite baseball, basketball or hockey team
- ❑ bringing up a movie you want to see
- ❑ talking about the weather

Watch for things you might have in common with others. There are many opportunities to begin conversations when you share similar interest with others.

People need to be compatible to live together

Without common interests and understandings about certain topics, living together will not work. As we discussed, people usually live together with friends or with people they have learned to trust. So it's important to spend time with another person by doing the things you share in common before making the decision to live together. When two people have common interests and develop a relationship that works between them it is called compatibility, being able to get along together. Without compatibility, living together can be very stressful.

Sharing your home can also be difficult. Just as you have needs for privacy, relaxation and personal space, so do others. When you share a home you sometimes have to compromise or give up some of the things that are important to you. Finding someone who likes the things you do or who is compatible with your likes and dislikes is important.

It's always best to get to know the other person or persons before you decide to live with them. Spend some time talking with them about their housing needs, their likes and dislikes and the things that are important to them. Do things together, go to the movies, go out to dinner, go hiking or away for a weekend, before this important decision is made. The more opportunities you have to spend time discussing living together, the more likely that it will work out.

Some issues for housemates

We strongly recommend that before you decide to live together,

you spend time with your potential housemate to explore your compatibility. We have come up with several questions that should be asked before you make that decision. Look at the list that follows as a guide and come up with your own questions based on your interests.

Getting along

1. What do you have in common (music, sports, foods, etc.)? In what ways are you different (smoking, drinking, late night person, early riser, etc.)?
2. Have you spent enough time with the person doing a variety of things together, perhaps vacations, movies, concerts, etc.?
3. If you talked about your differences (different music likes, sports likes, work schedules, etc.)? Have you discussed how you will deal with them?
4. Do you have different tastes in foods? Have you discussed meals and meal planning?
5. Have you talked about the sharing of responsibilities (like who cleans the bathroom, who cooks, who does dishes, who vacuums, who does laundry, etc.)?
6. Did you talk about visitors? What happens when you want to invite others over?
7. Have you talked about the potential need for other housemates? What are you going to do if you have conflicts? What do you plan to do if one of you decides to leave?
8. Have you worked out an agreement about furnishings? Whose furniture is it? What happens if one of you wants to leave? Have you bought anything together?

9. Do you trust the person you plan to live with? Do you feel safe and secure with that person? Would your possessions be safe?
10. Have you discussed sexual issues? Is living together going to create problems among you or your potential companions?
11. What happens if you want some time in the house alone? How much privacy does each of you need? Is the house set up so you can have your own space?
12. Have you talked about how problems will be resolved between you? Do you have someone outside the home that you can turn to for support when conflicts arise?

Expenses

1. Have you discussed the costs of living together?
2. Have you developed a budget? Where did the amounts come from? Is it based on facts? Can you afford it?
3. Do each of you know how much you will be paying on a monthly basis for housing?
4. What specifically will each person pay for?
5. Who pays for utilities (gas, electricity, water, sewer, etc.), if they are separate from rent?
6. When are your payments due? And to whom?
7. How will you budget for food? How often will you go shopping? Will you be sharing food or buying your own?
8. How will the phone be paid for?
9. What happens if one of you does not pay on time?
10. What resources do you have if there is a financial problem?
11. Whose name is on the mortgage or lease? Have you discussed

what happens if one of you wants to leave? How are you going to handle new housemates? How will you handle security deposits if you or your housemate want to leave?

These are some of the many questions that **must** be asked **before** you decide to live with someone else.

Summary

In this chapter we have talked about relationships and the components that appear to assist in making them work. We talked about Circles and the need to understand the different types of relationships you are likely to encounter in the community.

We also reviewed various places and activities in the community where you are likely to meet and get to know others. And lastly, we talked about the development of relationships and several of the issues housemates need to resolve when they decide to live together.

In the next chapter we will begin to discuss the fundamentals involved in real estate and the topics that you need to be aware of before you choose a house.

Chapter Three

Control of Housing Is Important

Control of Housing is Important

There are many good reasons to consider home ownership, but the most important reason is to have **control over the place you choose to live**. Control over your home means making your own choices. It means choosing to stay in a place or to move, choosing the people with whom you live and furnishing a place as you want to depending on what you can afford. It means choosing to have a garden or not, to listen to the music you like, to watch your favorite television program or to turn the television off, when to eat and when to sleep. Anyone with a disability who lived in a setting controlled by others (like an institution, nursing home or group home) knows how frustrating it can be to have someone else making personal choices for you.

People looking for a place to live have two choices; they either **own** property or **rent** from someone else who owns the property. Home ownership is not for everyone but there are several ways in which you can gain control of your home.

Where is the best place for my home?

The best place to live is wherever you have access to those things that are important to you. Besides making a home affordable, or within your budget, "location" is probably the single most important factor in choosing a place to live. Here are some things to consider in finding the ideal place for you to live:

- ❑ Job opportunities - Is your planned home near where you work or near places that offer future employment opportunities?

- ❑ Transportation - Is your planned home near public or private transportation routes that will bring you to work, support services or recreational opportunities?
- ❑ Support Services - Is your planned home near or accessible to your support services needs, like medical support, case management, clinics, community centers, support/training staff, etc.?
- ❑ Community Opportunities - Is your planned home near or within easy transportation to places or activities you may be interested in, like churches, recreational centers, schools, theatres, sports attractions, shopping, museums, zoos, or parks?
- ❑ Community Services - Is your planned home near or accessible by public services like, police, fire protection, utilities (gas, electric, phone, cable, water, sewer), or benefit offices (Social Security, Public Assistance or Welfare)?

Regardless of where and with whom you choose to live, make sure you give a good deal of thought to the important decision of location.

Should I own or rent a house?

To many people, home ownership represents stability and a sense of belonging to their community. To others it represents an effective form of investment. For all, it represents a serious commitment and responsibility. Those who choose to take on the responsibilities of home ownership must, however, evaluate a variety of factors including mortgage/financing terms, ownership

expenses, their ability to pay, the location of the property, the type or style of home and investment considerations. For many of us, this one decision represents the largest financial decision of our lives.

Home ownership is not for everyone. For many people, "renting" offers a great deal of flexibility and suits some people better than ownership. When you **rent** an apartment, condominium or house, the person who owns the property pays for the cost of the property, the taxes and any needed repairs and maintenance. People whose work requires frequent moves from one location to another or who are unsure of their finances may particularly benefit from renting. Renting also gives people more leisure time by freeing them from many of the tasks of home ownership.

The decision to own or rent is a very personal one. Since we all need a place to live, each of us will be faced with this decision. Before deciding, make sure you have enough information to truly make an informed choice. The intent of the Handbook is to assist you in that process.

What do I need to know about renting?

When you rent, the owner of the house (called the **landlord**) agrees to let you (the **tenant**) live at the property for an agreed upon sum of money, called **rent**. When you sign an agreement to rent the property for a period of time, say one year, it is called a **lease**. A lease is a legal agreement between the tenant and the landlord. The lease will clearly identify how much rent you must pay, what date the rent payment is due and where you must send

the check. It will also outline the rights and responsibilities between the owner and the tenant. For example you will be responsible to pay your rent on time, to pay your utility bills, agree not make loud noises and agree not to disrupt anyone else living at the property. If you violate any of the conditions of the lease, the landlord can "evict" you, or force you to move out.

The lease also outlines the responsibilities of the landlord. He or she will be responsible for keeping up the outside of the property; for keeping utility services to the building, for painting and maintenance, for replacing things that wear out and for letting you enjoy the place you are renting. The landlord must give you notice if he wants to inspect the property or repair items and during the term of the lease he cannot raise your rent unless you both agree.

There are many, many other terms and conditions contained in a lease agreement. We strongly advise that you have a close friend, guardian, parent or attorney review the lease with you before you make any long term commitment.

Is renting cheaper than owning?

That depends. For many people it will be cheaper to rent than to own property. Not only do you not have to worry about the upkeep and maintenance of the property (especially in an apartment building), but you will not have to insure the property, pay the mortgage or pay several other monthly bills. Here's an overview of the costs associated with renting versus owning:

<u>When you Rent</u>: The landlord pays all costs of owning the

property including: taxes, mortgage payments, building/liability insurance, repairs, replacement costs for appliances, utilities for common areas (like hallways, outside lights, etc.), sewer and water service and management (someone to collect rents, pay bills, etc.)

What do you pay? You pay a rental payment which is determined by the owner based on whatever is reasonable to charge for that type of home or property. You will probably also pay for your own utilities like electricity, phone service, heat and cable television. It is also recommended that you get what's called a **tenant's insurance policy** to protect your furnishings and protect against liability should there be an accident or major damage in your rented apartment.

When you Own : If you are the owner, you will pay all of the expenses of ownership including: taxes, mortgage payments, insurance, repairs, utilities (sewer, water, electricity, heat, phone, cable, etc.), replacement costs, and possibly a management expense if you need assistance with all of these tasks.

Many of the expenses listed above are things you will need to plan for whether you own or rent. In Chapter 5 "Budgeting" we will further discuss ways to plan for these expenses and provide

an estimated budget for each.

As we previously mentioned, renting can be much better for you if you don't want to cover the costs of repairs, maintenance or the long term commitment to financing that comes with home ownership.

What specifically will I pay for if I rent?

As we discussed earlier, there are some things that will be your responsibility to pay when you rent and some things that will be the responsibility of the landlord. Outside of the rent payment, the largest other payment you will be responsible for is the "utilities". Utilities include the cost of heat, electricity used in the house, water and sewer charges, telephone and cable television.

Here is a list of most things associated with renting property and some ideas about who is responsible for paying each: (Housemates often agree on who will pay each of these costs.)

Heat — With some property the rent payment, made monthly, includes "heat". **If heat is included**, the cost for all fuel (electricity, gas or oil) used in heating the house or apartment is paid for by the landlord. **If heat is not included**, you will be responsible for paying the cost of fuel used to heat the house or apartment. Prior to moving in you will need to contact the fuel company and arrange for them to send you the bill. Some companies will require a deposit before delivery of fuel.

Electricity Most likely you will be responsible for paying the cost of electricity you use in the place you rent. It is important to remember that electric bills can get very expensive, so don't forget to turn off lights when you're not in the room or to turn off a fan when you're not at home.

Water & Sewer The landlord is usually responsible for the cost of providing water and sewer services to rented property.

Telephone You will be responsible for telephone service used in most rental housing. If you share your rental property with a housemate make sure you have an agreement on how long distance calls will be paid for by the person who makes them. Sometimes its helpful to write down each time one of you calls beyond your local calling area. The basic monthly charge by the phone company is usually split among everyone who lives in the house.

Cable TV You will be responsible for the cost of monthly cable television to the place you rent. Remember that it is extra for you to have additional services like HBO, Sportschannel or Showtime. These additional services can be very expensive so make sure you discuss these with your housemates and collectively decide what you can afford.

Maintenance and Repairs Perhaps the best thing about renting rather than owning your home is that the landlord is responsible for maintenance and repairs, including appliances, painting, heat and hot water, and all

outside maintenance, like landscaping and roof repairs. The landlord owns the building, so it is in his or her best interest to keep it in good shape. It is also in the landlord's best interest to keep you happy by performing maintenance and repairs, because there is nothing more painful to a landlord than to have a vacant property.

What is a "rent subsidy"?

For people with limited incomes, several federal, state and local agencies offer **rent subsidies**. Subsidies are a way of assisting people with limited incomes to afford living in locally available housing. People receiving subsidies usually pay 30% of their income for their housing costs (rent and utilities) and the agency providing the subsidy makes up the difference.

Agencies that can provide rent subsidies include:

- The Department of Housing and Urban Development (referred to as HUD) - administered through state and local housing authorities (i.e. Section 8 Certificates and Vouchers)
- The Farmers Home Administration (referred to as FmHA) - usually administered through a rural FmHA office
- State Offices of Mental Health and Developmental Disabilities - often provide rent subsidies through community programs
- Local counties and towns - sometimes provide rental assistance to local citizens

Subsidies can be complicated so if you're interested you should contact your local public housing authority or other local

housing group for assistance.

So what's different about owning?

With home ownership comes increased stability, permanence and a sense of belonging to the community. For some people it represents an effective way to save money over time and plan for future needs. But with these benefits comes a serious commitment and responsibility that goes far beyond renting.

When you own property you are likely to increase not only your responsibilities but your costs. Not only are you responsible for the costs outlined above for renters, but you will be responsible for all costs associated with the property.

Here is a summary of the costs you can anticipate as an owner:

Utilities — As owner you will be responsible for the costs of water and sewer service, heating costs as well as those listed above (electricity, telephone, cable TV, etc.).

Taxes — All property owners must pay their share of property taxes. Property taxes pay for schools, road repairs, fire and police protection, snow removal and other municipal services. As the owner of the property you will be responsible for paying taxes based on the value of the property. Your city or county tax office will send you a bill telling you how much tax to pay.

Maintenance and Repairs — You will be responsible for fixing all items that need maintenance or repair on the

property. Items such as window replacements, carpet cleaning, painting, broken porch stairs, etc., are the responsibility of the owner. As you will see in budgeting, Chapter 5, you can plan for many of these expenses.

Replacement Reserves People who own property need to plan for the eventual replacement of major items within their home. Items such as roofs, driveways, exterior painting, furnaces, water heaters and appliances are certain to wear out over time and need replacement. Many of these expenses can be anticipated and planned for when you own property.

Insurance As owner of the property you will need to insure the property against potential loss by fire, wind damage, flooding, and other problems that might occur. Insurance is quite complicated so we strongly recommend that you discuss your specific needs with others who may have brought their own house, before you decide on an insurance policy.

As we discussed earlier, home ownership is not for everyone. You will need to evaluate these factors and plan a budget based on your ability to cover expenses.

So what are the good and bad points of ownership?

There are many things to consider when deciding to own a home of your own. Here's a summary of the major **good** and **bad** points to consider when making this decision:

The **good** points about home ownership are:

- ❑ you will have control over your home for as long as you want to stay
- ❑ you will have somewhat stable housing costs (versus rent which can be raised by the landlord). Just remember that taxes, insurance, heating and lights may go up each year regardless of whether you rent or own.
- ❑ you may benefit from an increase in the value of the property over time
- ❑ you will be able to choose whom you wish to live, since you own the house and
- ❑ your may receive certain tax benefits from ownership

The most important **bad** points about home ownership are;

- ❑ you will need to spend more money for things like property taxes, some utilities and insurance, (When you rent these are covered by the landlord)
- ❑ you will be responsible for all maintenance and repairs on the house and if you are not able to do them, you will need to hire someone to help (like snow removal, lawn mowing, painting, etc.)
- ❑ you will need to plan and save for major replacement costs like heating systems, roofs, appliance replacements, carpeting, etc.
- ❑ you will need to be creative about financing, including ways to come up with the money to buy a house (down payments) and ways to finance the property and
- ❑ you won't be able to move when you want because you

will need to keep paying the mortgage, taxes, insurance, etc., until you sell the property to someone else.

The obstacles to home ownership are many but they can be overcome. By carefully planning the best use of the money you have, home ownership is possible.

Housing Control Options

Regardless of where you live, the issue of "control" over your housing will always be there. There are several ways in which people can control their housing whether they rent or own their home. In the rest of this Chapter we will review different ways to find a home that will give you more control, other than by renting from a landlord or owning the property by yourself.

Control through renting

Whom you rent from is important. If you rent from someone who knows you or is aware of your limited income, you may be able to secure housing for a great deal less money. Here are some suggestions for renting from someone other than an unknown landlord:

Renting from family

You could rent from a family member (a brother, sister or relative) who understands the limited amount of money you have for housing. There are many ways in which family members may be able to own property and benefit from various tax breaks while renting to someone who has low or moderate incomes. Often it is easier to work out leasing

arrangements with family members because they are not motivated only by profit.

Renting from a friend

You may have a close friend or friend of the family or family member who owns property and may be interested in renting to you. Through contacts with friends or family you may discover several people who might be willing to rent a room in their homes to you or rent property that they own.

Shared homes programs

In many parts of the country non-profit organizations, who are trying to help people with limited incomes, offer **home share** programs. Under a home share program, someone who owns a house is interested in sharing it with someone else. They contact the home share agency who interviews potential people and tries to make a match, based on many of the factors we discussed in Chapter 2. People with disabilities who own property may be interested in finding another person, with or without a disability, to share their home with them. A home share program can assist in this search.

Renting from a trust

Trusts are legal ways in which people can provide for the future of another person. Often parents will put money into a trust for the future benefit of their children. When money or property is put in trust, the trust owns the money or property but the individual gets benefits from the trust.

Property such as houses can be put in trust for the benefit of a person with a disability. Under this type of

arrangement, the person would rent the house from the trust. The money paid in rent could be used to improve or fix up the house whenever necessary. These are special (supplemental or Medicaid) trusts that will have to be carefully written.

Renting property from a family trust can get quite complicated so you will need to talk with an attorney who is knowledgeable in estate planning for people receiving benefits, to make sure that you don't lose benefits as a result of the arrangement.

Housing corporations

There are many non-profit housing development corporations in Illinois and other states that work on behalf of people with limited incomes. Some organizations assist people with landlord problems, others assist people in getting benefits such as subsidies, discussed in Chapter 6. There are also many other community organizations that buy and operate housing for people with limited incomes. Often these non-profit groups can make housing very affordable because they buy property for very little money and they get low interest financing. Many of them also get rent subsidies (from families, the state and/or federal government) when they provide housing to people with low or moderate incomes.

Most non-profit housing corporations understand how hard it is to make it with limited incomes. Some can provide a great deal of assistance to people with disabilities, not only with affordable housing but with other community

resources.

You should check with your local public housing authority or city or county housing office for the nearest housing development organization in your area.

Control through ownership

Many people manage to get the benefits of home ownership while keeping the problems small, through **shared ownership**. There are many ways in which you can actively participate in ownership without having all of the day-to-day responsibilities of repairs, maintenance and all utilities. Here are a few worth considering:

Shared ownership

Shared ownership isn't much different from the shared home program we just discussed. But in shared ownership, you and someone else **buy the property together** and you both agree to cover the costs of home ownership. Shared ownership can be with a family member (a brother or sister), a relative or a friend. Both people involved in home ownership must agree on a particular property, agree on the terms of the financing and must agree to work out a budget on the property.

There are problems with this type of arrangement but they aren't much different than those we discussed in Chapter 2 involving living with another person. As we discussed earlier, we strongly recommend that you talk about these issues with other knowledgeable people before you make the decision to purchase a shared home.

Housing cooperatives

Housing cooperatives (called "co-ops") are corporations that buy property, often on behalf of people with limited incomes. The property might be single family homes, townhouses or apartment buildings. Members of the co-op own "stock" or a piece of the corporation and as members, have a right to live in one of the housing units developed by the co-op.

Some of the many benefits of belonging to a co-op include:

- **The low cost of joining**. Many co-ops are established to keep housing affordable so the cost of membership stock is very reasonable.
- **The sharing of all maintenance and repairs**. Since the co-op owns the building all members decide what needs to be done and how it will affect the monthly rents.
- **The low monthly rent**. Many co-ops are funded through low interest rates and are very creative in their buying of property. By saving a great deal of money in the beginning the rents can be very inexpensive.
- **All members participate in decision making**. As stock holders all members participate in the decision-making about the building, including what repairs will be made and whether rents will increase. Members also meet to review applications of those interested in joining in the future.

Housing co-ops can provide a reasonable and affordable option for total ownership by one or two people. If

you are interested, you should contact your local housing authority to find out if there is a co-op in your area.

Condominiums

Condominiums (often called "condos") are associations formed to develop a piece of property. Condos are usually large apartment-like buildings, townhouse-type buildings or single family homes joined together on a common piece of land. Although the owners of condos own their apartment or **unit**, they do not own the outside of the building or the surrounding land. That is owned by the **condo association**.

Anyone who buys a condo must belong to the condo association. This is a group made up of all condo owners. The association is responsible for taking care of everything but the inside of your home. Things like sidewalks, parking areas, lawns, roofs, outside painting, trash removal, landscaping and the exterior of the building are the responsibility of the association. As an owner, you are responsible for maintaining the inside of the place you live.

But the services of the association are not free. You will pay a monthly fee to the association, called an **condo fee**. But because the services are shared among a large group of owners, the fee is likely to be far less than if you had to pay for the same services on your own as the only owner of a property.

Condos are a good option for people who want to own, not rent, but who want to minimize the amount of work they need to personally do around the house.

Condos and co-ops are quite different in some ways,

but they are the same in the most important sense: although people have control over their own homes, the responsibilities for maintenance, property taxes, and planning for major repairs are **shared on an equal basis** by everyone who lives at the property.

Summary

In this Chapter we covered a great deal of information about ownership versus renting, the good and bad parts of ownership and several ways in which you can have control over your home whether you rent or own. The Chapter began and ended with "control" as an important part of housing for all of us. The more control we give up to someone else, the harder it is to become part of our community.

In the next Chapter we will review the things you need to know when you buy a home including many of the basics of financing. As always, it is good to review this information with someone else who may have some experience in purchasing a home.

Chapter Four

Fundamentals of Real Estate

Fundamentals of Real Estate

Understanding real estate can be quite confusing. There are a lot of new terms to learn, financial information to gather and review, and many personal questions to ask. In this section of the Handbook, we will explain real estate by outlining questions that are often asked when people are looking for a home.

Where can I get help?

Of course, it is always good to talk with others (your guardian, advocate, case manager, housing coordinator, etc.) about these issues and any other questions you might have, before you make a decision about home ownership. As we have mentioned throughout this Handbook, we strongly recommend that you talk with an attorney or other professional before you sign any documents about property.

What it real estate?

The term **real estate** is often used to describe **property**, whether it be **land** or **buildings** of some type located on land. Land without any buildings is generally called "unimproved". If the owners of land want to put buildings on their land, they must apply to local authorities and received permission to "improve" the property by putting buildings on the land. If permission is granted, the owner may proceed to "develop" whatever type of building has been approved.

What is zoning?

The type of building the owner can develop is based on the

community's "zoning" policies. Communities use zoning policies as a way to ensure that the same types of buildings are developed in the same areas of town. In that way, communities can plan for water, sewer and utility services, public transportation, streets and highways and other public services (like police, fire, schools, etc.). Most communities have basically four types of zoning: single family, multi-family, commercial and industrial zones. Citizens of a community generally live in either single family or multi-family zones.

Within a single family zone, communities allow one family per home, generally with a defined lot size or area of land. (A "family" is usually defined by a community to include no more than 3-4 unrelated people living together.) Developers usually construct the same type or size of house in the area to insure some consistency in price and future resale value. In most single family zones you are likely to find single family homes, townhouse units and condominiums.

Multi-family area zones are developed to provide housing for a larger number of people on a lot. Normally, multi-family housing is rental housing and not owned by the tenants. Generally, multi-family housing will be apartment buildings, duplexes (a two family building) or townhouse rentals.

How does someone "buy" real estate?

All real estate or property is owned by someone. When you **buy** or **purchase** the property from the owner, you get the **title** or right to the property. The title is a piece of paper which describes the property that you own.

The price of a property is determined by a **purchase and sales agreement** between the **seller** (or owner) and a **buyer** (or the person wishing to purchase the property). When the two agree upon a price, they **transfer** the title (from the seller to the buyer) at a **property closing**. The property closing is a meeting between the buyer and seller where important papers are exchanged, which transfer the property to the new owner. It is highly recommended that these documents be reviewed by an attorney working for you.

A purchase and sales agreement must clearly outline a number of critical issues between the buyer and seller. The agreement will identify what property is to be purchased (and what goes with the property; appliances, curtains, furnishings, etc.), the price of the property and the expected date and place of the closing (or the date at which the title will transfer). It should also identify any terms agreed upon for **financing** (or how you plan to pay for the property), as well as how the taxes will be **prorated** (the owner pays the year's taxes up to the date of closing). A well written purchase and sales agreement will also outline any contingencies (building and pest inspections, clarifying easements, etc.) that need to resolved. Lastly, the agreement will identify if there are any fees to be paid to a real estate agent who brought the sales agreement together.

How does "financing" work?

Financing can get quite complicated so we will go through this discussion slowly. First of all, few people have the money to buy the house they live in. If a house is for sale for $50,000, there are not a lot of people who will have $50,000 to buy the house. As a result, people usually **borrow** the money from a bank or some other place

that lends money. The bank holds what is called a **mortgage** or a **lien** against the property. This means that the buyer is **obligated** to pay back the money to the bank that was borrowed to buy the home over a specific period of time, usually paying on a monthly basis. This monthly payment is known as a **mortgage payment**.

Mortgages are **recorded** or listed in a public place like the **Registry of Deeds** against the **title** so that anyone interested in buying the property in the future will recognize that you owe money on the property. Should you ever try to sell the property, you must first pay back the borrowed money to the bank. Usually the money to pay back the bank comes from your sale of the property. Once you pay back the money borrowed, the bank removes the lien against the property.

What else goes into financing?

There are two other ideas involved in financing that will directly affect your monthly payments to the bank. The first has to do with the amount of time you borrow the money or the **length of the mortgage** from the bank and the second has to do with the **interest rate** charged by the bank. Interest is what a bank lending you money charges for the use of its money. (It's like renting money.) To demonstrate both concepts we will use the following example:

Let's say you want to borrow $50 from a bank and agree to pay them back over the next ten years at $10 per year **without interest**. How long would it take for you to pay them back?

	Yr #1	Yr #2	Yr#3	Yr #4	Yr #5
Amount Due	$50.00	$40.00	$30.00	$20.00	$10.00
Interest	0%	0%	0%	0%	0%
Amount Paid	$10.00	$10.00	$10.00	$10.00	$10.00
Balance	$40.00	$30.00	$20.00	$10.00	$ 0

The answer is 5 years. Each year the **principal** (the amount borrowed less your payments) amount owed the bank is directly reduced by the amount of payment made. But what happens when **interest** is added to the amount borrowed from the bank? Using the same example, lets assume the bank charged you **5% interest**. Look what happens now:

	Yr #1	Yr #2	Yr#3	Yr #4	Yr #5
Amount Due	$50.00	$42.50	$34.63	$26.36	$17.67
Interest	**5%**	**5%**	**5%**	**5%**	**5%**
New Amount	$52.50	$44.63	$36.36	$27.67	$18.56
Amount Paid	$10.00	$10.00	$10.00	$10.00	$10.00
Balance	$42.50	$34.63	$26.36	$17.67	$ 8.56

The balance due at the end of the five year loan is $8.56 with 5% interest rather than $0 without interest. Interest adds to the amount borrowed. The more you pay in interest the longer in time it will take to pay back the amount borrowed. To further explain this last point, let us look at the example again, only let's say the bank charged **10% interest**. Look what happens now:

	Yr #1	Yr #2	Yr#3	Yr #4	Yr #5	Yr.#6	Yr #7
Amount Due	$50.00	$45.00	$39.50	$33.45	$26.80	$19.47	$11.42
Interest	**10%**	**10%**	**10%**	**10%**	**10%**	**10%**	**10%**
New Amount	$55.00	$49.50	$43.45	$36.80	$29.47	$21.42	$12.56
Amount Paid	$10.00	$10.00	$10.00	$10.00	$10.00	$10.00	$10.00
Balance	$45.00	$39.50	$33.45	$26.80	$19.47	$11.42	$ 2.56

Even after seven years there is still a balance due of $2.56.

How long are bank loans?

Bank loans for homes, called **residential mortgages**, vary greatly in length and interest rates. Home loans from banks are usually 15, 25 or 30 years in length. (Some state and federal loan programs (covered later) are 35-40 years and have lower interest rates.) Loans are **amortized** which means spread out over a period of time to lower the monthly payments and thereby make borrowing more affordable. However, **the longer the payment schedule, the more interest you pay over the term of the loan**.

Let's look at an example of what happens with interest rates and the length of a loan. Assume we are interested in borrowing $40,000 toward that $50,000 house previously mentioned. Also assume you are comparing interest rates over a 15, 25 and 30 year mortgage. Here's what you'd find:

Monthly Payments on $40,000 Loan
Principal and Interest Payments

Interest Rate	15 yr mort.	25 year mort.	30 year mort.
7.5 %	$370.80	$295.60	$279.69
8.0%	$382.26	$308.73	$293.51
8.5%	$393.90	$322.09	$307.57
9.0%	$405.71	$335.68	$321.85
9.5%	$417.69	$349.48	$336.34
10%	$429.84	$363.48	$351.03

We can see that the **lower the interest rate and the longer we borrow the money, the lower the payments on a monthly basis**. For example, with a 7.5% interest rate with a 30 year mortgage the payment is $279.69. At the same time, **the higher the interest rate and the shorter the period of time, the more the monthly payment.** For example, with a 10% interest rate for a 15 year period the payment is $429.84. The difference between these two examples is $150.15 per month ($1,801.80 per year) just by adjusting the interest rate and length of mortgage.

Finally, it is sometimes good to compare differences in rates over the time of the loan. For example, there is not a large difference on a monthly ($19.77) or yearly ($237.24) basis between 10% for 30 years ($351.03) and 7.5% for 15 years ($370.80). If opportunities are available to borrow money at a lower interest rate you may want to consider financing the mortgage over a shorter period of time.

What is a "down payment"?

If you agree to buy a house for $50,000, it is doubtful that the bank will actually loan you the full amount of $50,000. Banks get worried that you might not pay your mortgage payments or pay them back their money. They see most buyers as a **risk**, meaning they are concerned about being unable to sell the property for $50,000 if you don't pay your mortgage payments. As a result, if the property is worth $50,000, the bank will most likely ask you to pay or **put up** money known as a **down payment** or money of yours that reduces the bank's risk.

As far as the bank is concerned **the more money you put down on the property, the less risk the bank has**. At the same time, the

more money you put down the smaller your monthly payments become because you are borrowing less from the bank.

Down payments are usually equal to 10-20% of the property value but may be flexible depending on the location and anticipated value of the property. Here's an example of how down payments affect the amount borrowed from the bank:

	10% Down	**20% Down**
Property Cost	$50,000	$50,000
Down Payment	**$ 5,000**	**$10,000**
Bank Financing	$45,000	$40,000

Where can I get "down payment" money?

That's a tough one! For most Americans interested in owning a home, they learn to regularly save money by putting money aside each week or month until they have enough for a down payment. Saving money for things you want in the future is a good thing to do. The larger or the more expensive the house, the longer it may take to save enough money.

For many people with disabilities, saving money can present a problem. Not only is it difficult to save when you receive very little income, but there will be problems with benefits when you do save. A lot of people with disabilities receive "Supplemental Security Income" or "SSI" from the government. Under the rules of SSI, those who receive benefits cannot have cash (or other liquid assets, i.e. savings accounts, stocks, bonds, jewelry, etc.) in excess of $2,000, without losing benefits. Even in the "**10% Down**" example listed above a person would need $5,000 down to buy property. So for people who receive SSI we will need to be a little more creative.

People receiving SSI wishing to own property still have a few choices. Here are a few worth considering:

Borrow the money:

You could borrow the money from a friend, family member, a trust or an agency (like a non-profit organization) in the form of a **loan.** Under the terms of the agreement, someone loans you money for the down payment and agrees to hold a **mortgage** on the property, just like a bank. If you don't buy a piece of property you don't receive the loan.

Whoever loans you the money could charge you interest on the loan, but they don't need to. Certain gift laws can allow you to receive the money interest free without jeopardizing your SSI and Medicaid benefits.

Participate in an "equity sharing" program:

You could participate in an **equity sharing** program with a property owner. This is sometimes called a **lease-purchase** option. Under this type of program, you agree to rent or lease a piece of property over a specific period of time with a portion of your rent being applied to the down payment needed to buy the house. For example, let's assume you want to buy that $50,000 house and you only have about $1,500 in savings instead of the required $5,000 down payment. The owner could agree to lease the property to you for three years at $600.00 per month using $100 per month of the rent toward the purchase price. After three years you would have "saved" $3,600 toward the purchase price (36 months @ $100/month). Along with your savings, you could now have enough to buy the house.

Equity sharing can also be done with a friend, family member or an agency (like a non-profit organization). For example, your family could buy the house and collect rent plus deposit money from you monthly until you paid enough to cover the down payment.

Participate as a "shared owner" in property

Another option is to own the property with someone else, like a friend, family member, trust or agency (like a non-profit organization). Under this type of agreement, you and another person (or persons) decide to own a piece of property together. Because the property is owned by you and others, you are all responsible for the down payment and monthly expenses associated with owning the home. For example, assume you and a friend wanted to buy that $50,000 home. You would now each need $2,500.00 ($5,000 divided by 2) to meet the $5,000 down payment requirement.

And the way you get the down payment money could be different for each of you. One of you may have saved enough money, another may have had help from a family member and yet another may have a family trust.

Shared ownership offers a great deal of flexibility but can also present some problems. Several issues need to be worked out including what happens when one person wants to leave or what happens if someone doesn't pay their share on time. Later in the Handbook we will discuss these and other pertinent issues involved in shared ownership.

Participation in local, state or federal housing programs

Some programs offered by local communities, the state or

federal government do not require much in the way of down payment money. Some communities offer housing assistance programs including 100% financing (with no money down), mortgage or rent subsidies (which assist with meeting monthly payments), or mortgage guarantees (which take the risk away from a bank and allow them to provide 100% financing). Various states offer **first time home buyer** programs which include little or no down payments and low interest rates. And the federal government has many programs under the Department of Housing and Urban Development, often referred to as "HUD" or in rural areas the Farmer's Home Administration, referred to as "FmHA". To find out more about any of these or other local programs you should check with your town or city housing authority.

Summary

In this chapter we have covered a great deal of information about real estate. We have talked about real estate, zoning, financing, interest rates, mortgages and some possible ways you can get the money needed to buy a home of your own. More than likely, this chapter will need to be reviewed several times and then again when you find the property you're interested in buying or renting.

Chapter 5, is designed to help you take the information from this chapter and better understand what expenses you can anticipate in the future.

Chapter Five

Budgeting For Your Own Home

Budgeting For Your Own Home

In Chapter 3, we discussed the need to write out a **Budget** for **any place you plan to live**. Well, now it's time to get serious about looking at those expenses you will have regardless of whether you rent or own.

It's important to budget before you make the choice to live in one place or another. Each place you might live will have different expenses. For example, an older apartment building might not have a very good furnace so the heating costs might be greater than in a new place. Or a condominium with 100 units might have cheaper monthly fees because there are more home owners to share the expenses. Budgeting can eliminate some of the many unexpected surprises that are sure to come up in your home.

In this Chapter we will be helping you to develop a budget for a place you might rent as well as a place you might choose to own. This may also get a little confusing since most of you probably never had to sit down and budget your housing costs before. Well, don't worry, the material will be presented nice and slowly. And if you need help, don't hesitate to ask a friend, family member, case manager or other support staff for assistance. They might learn something too!

We are going to review budgeting for **rented** property as well as **owned** property. You will recall from previous Chapters that there is quite a bit of difference between property owned by a landlord and property owned by you. So we will break this Chapter into two parts: one for renters and one for owners.

Budgeting For The Place You Rent

In the back of the Handbook in a section marked "Appendix A", you will find a form marked Appendix A-1 **"Budgeting For The Place You Rent"**. That's the form we will be discussing in this first section so you might want to take it out or make a copy of it so you can follow along. You will notice that the top of the Appendix looks like this:

Appendix A-1

Budgeting For The Place You Rent

Let's also make this budgeting a little more fun by making up a story about some people, John and Fred, who want to live together. Here's how their story goes:

> John and Fred are friends. They have known each other a long time and have worked together at McDonalds for about two years. They like doing things together like going to local baseball games, movies and just walking around in the park, but they don't get many opportunities because they live a long ways apart.
>
> John, who is 30 years old, currently lives with his mother in a small two bedroom house about a mile from work. He likes living with his mother, who really does a lot for him, but he feels it sure would be great to have a place he can call his own.
>
> Fred, John's 35 year old friend, lives in a group home with four other men. He has lived with some of these men for almost five years and he'd like to get out of there. There's always something going on that he doesn't like: a noisy housemate, the wrong things to eat or the group going bowling (he doesn't like bowling). Fred would like to live with John, his friend.
>
> So John and Fred decide to find a place to rent near work at McDonalds. They make arrangements through a community agency to have a service provider come by on a daily basis to help out with the organization of the apartment, but first they have to figure out what they can afford to pay in rent.

They're lucky and they find a nice two bedroom apartment about three blocks from work in a quiet residential neighborhood. The rent is $450 per month including heat. They will be responsible for all other utilities including electricity, phone, and cable TV. The landlord lives downstairs and will be responsible for all of the yard work, snow removal and maintenance.

Both John and Fred want to sign the lease together but aren't sure they can afford it. After talking with the landlord they find out that a good estimate for electricity is $50 per month. In addition to food and other utilities they both agree to pay each month one half of the rent ($225) plus one half of the planned electric bill ($25).

Now that we've met John and Fred, let's take look at their budget to see what they can afford.

Income

We need to now talk about how much money John and Fred can afford to spend each month on rent so we need to know how much money they earn or take in each month. Let's assume our story continues like this:

Both John and Fred receive a monthly SSI check from the government in the amount of $407.00 each. Together that equals $814.00 a month. In addition, by working part time at McDonalds, they each take home about $95.00 per month. Combined their earnings total about $190.00 per month.

Lastly, let's assume John is next on the list for a Section 8 Rent Subsidy Voucher. That means John will only have to pay 30% of his income (SSI of $407.00 plus earnings of $95.00 = $502.00 X .30 = $150.60) per month toward room and utility charges. If John's half of the rent is $225.00 plus $25.00 per month for electricity (heat is included), for a total monthly cost of $250.00, he will receive $99.40 per month in rental assistance ($250.00 less his share of $150.60 = $99.40 in subsidy).

Since the apartment will be leased to both John and Fred, let's

make out our "Income" form as though we were doing it for them together. Under the question about "Housemate's Share" we will not be including Fred's half of the rent separately because we are joining both incomes from the beginning. The first section of our form looks like this:

Part I **Sources of Income**	**Monthly Income**
❑ Social Security (How much is your monthly SSI, SSDA, or Survivors benefit check?)	$814.00
❑ Wages earned (How much money do you make per month at work? If you are paid weekly take the amount you take home per week times four)	$190.00
❑ Rent subsidies (How much rent subsidy to you receive on a monthly basis from Section 8, FmHA, CILA, DMR, local aid, or family)	$99.40
❑ Other income (Do you have any other source of steady income on a monthly basis? If so, how much is it?)	
❑ Housemate's share (If you have a housemate, will that person be contributing to your monthly housing expenses? If so, how much?)	
Total Monthly Income	$1,103.40

To summarize, the SSI amount is the total of John and Fred's monthly SSI checks. The $190.00 is the amount they both earn at McDonalds working part time. and the $99.40 is the value of John's Section 8 Voucher.

Expenses

Now let's look at John and Fred's monthly expenses. We'll once again use our "Budgeting" form. Before we fill it out, we know several of the budgeting items: rent = $450.00 per month and electricity = $50.00 per month. Let's also assume the John has

called the telephone company and found out that basic service each month is $18.00, assuming no long distance calls. We also know that both John and Fred like to watch movies in addition to sporting events so they decide to get Cable TV service with the HBO options for a total of $25.00 per month. And finally, John and Fred will need to plan to set aside about $5.00 per month for unexpected repairs that might come up in their apartment. Now we can fill out our Expense Form. It will look like this:

Part II

Monthly Housing Expenses	**Monthly Expenses**
❑ Rent (How much is your monthly rental payment to the landlord?)	$450.00
❑ Heat (If your landlord does not include heat in your rent, how much will heat cost you per month?	Included
❑ Electricity (How much will the electricity cost you on a monthly basis? Write down the average monthly cost.)	$50.00
❑ Telephone (How much is your monthly phone bill? Does it include long distance calls? If not, increase the amount.)	$18.00
❑ Cable Television (If you plan to have cable TV, how much is the monthly charge? Do you plan to have any additional services, like HBO, etc.?)	$25.00
❑ Repairs, replacements (You should plan to budget a small amount each month for things that can go wrong in your rented home, like lightbulbs, new lamps, cleaning materials, etc.)	$5.00
Total Monthly Housing Expenses	$548.00

Let's quickly review where these amounts came from: the rent is $450.00, the electricity $50.00, phone service $18.00, cable TV (with HBO) $25.00 and a little set aside ($5.00 per month) just in

case they need it. That should cover most things related to the apartment. But remember, this doesn't include food, clothing, movies or other types of things John and Fred may want to do. They will have to plan to use the rest of their monthly income for that.

Comparing Income and Expense

Now that we have all of our "Income" and "Expense" information, we can review the rest of our form to see whether John and Fred can afford to rent the apartment. In order to figure it out we need to look at how much of their total income is spent on their housing costs.

First, we need to write down their "Total Monthly Income". Well, we already know that from Part I. It's $1,103.40. Next, we need to figure out 30% of that amount. Here's how you figure it out: Total Monthly Income: $1,103.40 X (times) .30 = $331.02. The form also asks us to write down 50% of our monthly income. Well, 50% is one half so we can just divide $1,103.40 by two and the answer is $551.70. And lastly, the form asks us to write down our total Monthly Housing Expense, which we know from Part II is $548.00. Our form now looks like this:

Part III
Comparing Income and Expense

❑	Total Monthly Income (From Part I)	$1,103.40
	What is 30% of monthly income? (.30 x amount)	$331.02
	What is 50% of monthly income? (.50 x amount)	$551.70
❑	Total Monthly Housing Expense (From Part II)	$548.00
		Circle one
❑	Is the amount of your Monthly Housing Expense	

greater than 30% of your Monthly Income? Yes No

❑ Is the amount of your Monthly Housing Expense greater than 50% of your Monthly Income? Yes No

Let's now look at our questions. First, "Is the amount of your Monthly Housing Expense greater than 30% of your Monthly Income?" The answer is "Yes" because John and Fred's Monthly Housing Expense is $548.00, which is greater than 30% of their income which is $331.02.

The second question asks " Is the amount of your Monthly Housing Expense greater than 50% of your Monthly Income?" And the answer is "No" because their expenses ($548.00) are just slightly below 50% of their monthly income ($551.70), but only by $4.70 per month.

So the question is, can they afford to live in the apartment? Let's go on with our "Comments" section. The first comment looks like this:

Part IV
Comments

❑ If you answered "Yes" to the question about your Monthly Housing Expense being greater than 30% of your Monthly Income, you may be entitled to some financial assistance or rent subsidy. Contact your housing authority or CILA services coordinator for assistance.

For John and Fred the answer was "Yes" because their expenses were greater than 30% of their income. The comment says that "you may be entitled to some financial assistance or rent subsidy". We know John already receives a Section 8 Rent Voucher. Since Fred earns exactly the same, he should also apply for a rent voucher. When his name comes up, he should be able to also get $99.40 per month, which would certainly help them a lot. So

whether they decide to take the apartment or not, Fred should get on the list for a rent subsidy.

The next comment looks like this:

❑ If you answered "Yes" to the question about your Monthly Housing Expenses being greater than 50% of your Monthly Income, you will most likely need some type of additional financial assistance, rent subsidy or other roommates if you want to rent that particular place. If that assistance is not available you may not be able to afford to rent that setting. We strongly recommend that you talk with others before you make that decision.

In this case, the answer is "No", because their Total Monthly Income is just slightly greater than their Monthly Housing Expenses. That means **John and Fred most likely can afford the apartment but it will be very tight financially for them to pay for it.**

Lesson's Learned

So here's what we've learned from our story:

1. John and Fred want to live together for, what appears to be, all of the right reasons. They are friends, they like doing things together, they've known each other for some time and they work together.

2. The apartment they've picked out is convenient for both of them to get to work and relatively close to John's mother, so he can continue to keep in touch with her.

3. The monthly expenses for the apartment are greater than 30% of their combined income but less than 50%. This means that they are probably eligible for a **rental subsidy**, which John already has and for which Fred should apply. When Fred's name comes up on the list, they could have an additional $99.40 per month to cover expenses.

4. John and Fred aren't much different than a lot of people who have very limited incomes. Many, many people are spending close to 50% of their monthly incomes on housing related expenses. It's not necessarily fair, but that's the way the cost

of housing is getting to be.

Budgeting for the Place you Own

As we have discussed throughout this **Handbook**, buying a place of your own is a big decision involving a great deal of commitment and responsibility. Therefore, before you make any decisions, **we strongly recommend that you ask for assistance from someone** else, perhaps a friend, family member (parent, brother or sister), an attorney (legal aide or from an advocacy organization) or someone from a federal, state or local housing agency (like the Illinois Housing Development Authority, the Chicago Housing Office, Farmer's Home Administration, etc.).

For those of you who decide to pursue home ownership, you'll need to pull out the next set of forms marked "Appendix A-2 Budgeting For The Place You Want To Buy". The top of the form looks like this:

Appendix A-2

Budgeting For The Place You Want To Buy

In order to complete our form, we'll need another story about some people interested in buying a home. So, here's the story about Betty and Alice:

> Betty is a fun-loving person who is 29 years old. She lives with her older sister, Ann, in her small, three bedroom house in a small rural town near the center of the State. Over the past eight years, Ann has done a great deal to assist Betty by making some modifications to her house to accommodate her wheelchair and by coordinating some of the services she needs on a regular basis.
>
> Betty and Ann enjoy living together but Betty would really like to consider living closer to Centerville, the next town

over. Centerville has a small community college, more movie theatres, shopping and some great places to go at night with friends. Betty works in Centerville at the local hospital, assisting in the gift shop. Getting to and from work can be hard because there is no public transportation available to Betty between Ann's home and the hospital. For now Betty must rely on Ann to transport her to and from work. It's kind of hard since Ann works about four miles in the other direction, but for now it's working.

About a year ago, Ann started attending home economic and budgeting courses at Centerville's Community College after work. In her first course she met Alice, a 34 year old woman from Centerville. Since then, Alice and Betty have enjoyed four classes together, cooking up a storm in home economics and talking often about their own wishes to live together. Whenever possible, Alice meets Betty at the hospital cafeteria for lunch. They laugh a lot and really enjoy spending time together but the transportation schedule back to Ann's house prevents them from doing much else together.

One day, Ann informed Betty about the death of their father, a man neither one of them had seen for almost ten years. For some unknown reason, he left each of them $10,000.00 in his estate. Ann plans to invest her money but Betty has a bigger problem; she's receiving Supplemental Security Income (SSI). Under the rules, Betty can't have more than $2,000.00 in cash or she will lose her benefits. During a talk with a local attorney who specializes in benefits, she finds out that if she invests the money in her own home within three months, she won't lose her benefits. So she decides to start exploring some options for home ownership.

The next day at class, Betty tells Alice about the money (the good news) and that she only has three months to invest it in her own home (the bad news). Alice is excited for her friend and tells her of continued interest in sharing a place with her.

Some Financing Options Come Up

With help from a local non-profit housing group, Betty discovers that a new forty unit condominium development is being constructed just about three blocks from the hospital where she works. Some of the planned apartment-styled

homes are on the first floor and include a three bedroom unit that could be modified for wheelchair accessibility.

Betty goes with her sister and Alice the next day after work. All of them love the location; its convenient to work, shopping, theatres and the college. The asking price for the three bedroom place, with modifications is just over $53,000.00 but they have heard that others are selling for about $50,000.00.

The condo development office also informed Betty that she may qualify as a "First Time Homebuyer" under the Farmers' Home Administration (FmHA) program. Since Centerville is in a rural area and Betty has such a limited income, she may be eligible for a 6.5% mortgage interest rate.

But before Betty decides, her sister, Ann, wisely suggests that they sit down to review Betty's finances. They just aren't sure if Betty can afford the move.

So what do you think? Will Betty be able to buy her condo? Will Alice be able to move in with Betty without jeopardizing her benefits? Let's begin by reviewing her current and planned income to see what she can afford.

Income

We need to review Betty's income, including her SSI and earned wages at the hospital. But we also need to talk about her taking in a housemate, Alice, who will be paying rent. We know under the rules of SSI that Betty **can receive rent from Alice**, but she can't receive more than her housing costs. If she does, she may lose some portion of her benefits.

So we need to continue with our story to discover what income Betty might have if she moves:

We already learned that Betty receives an SSI check each month. It equals $407.00. She earns about $175.00 per month at the hospital but her supervisor informed her that she could work more hours if her housing costs increase.

Alice currently pays $350.00 per month for her small

apartment and agreed to pay Betty $300.00 in rent along with $75.00 per month toward the utilities. Additionally, she will pay for one half of the Cable TV service and one half of the phone service.

So now we can complete the "Part I - Sources of Income" section of our form: It should look like this:

Part I **Sources of Income**		**Monthly Income**
I-A	Social Security (How much is your monthly SSI, SSDA, or Survivors benefit check?)	$407.00
I-B	Wages earned (How much money do you make per month at work? If you are paid weekly take the total amount you make per week times four)	$175.00
I-C	Mortgage subsidies (Are you entitled to any mortgage subsidies? How much are they on a monthly basis?)	none
I-D	Rent subsidies (Will you be renting out any rooms to others? Will renters be entitled to receive rent subsidies? If so, how much will the subsidy be on a monthly basis?)	$375.00
I-E	Other income (Do you have any other source of steady income on a monthly basis? If so, how much?)	
I-F	**Monthly Income**	$957.00

To summarize, the $407.00 is Betty's monthly SSI check; she earns $175.00 per month at the hospital gift shop (but could work more if needed) and Alice will be paying $300.00 per month in rent plus an additional $75.00 per month toward utilities.

Property Costs

The next step on our Budgeting form asks us to review the "Property Costs". We know **most** of the information. We think we know how much Betty will be paying for the condo ($50,000.00) and

we know how much money she has available to use for "down payment" (the $10,000.00 she received from her father). But we don't know about "closing costs", so we need to add a little information to our story:

> Under the terms available from Farmers Home Administration, Betty will not have to pay much for "closing costs". Closing cost usually include bank financing charges, attorney fees, part of your insurance and taxes for the next year and transfer taxes. Betty's lucky since the local non-profit housing agency is willing to assist her. The total costs for closing are about $900.00.
>
> Betty's sister Ann is excited about Betty's ability to own her own house so she agrees to help her by paying these costs, thus allowing Betty to put her entire $10,000.00 down on the property. That means Betty will only have to borrow $40,000.00 from the FmHA.

So the "Part II - Property Costs" section of our form looks like this:

Part II
Property Costs

II-A What is the cost of the property you want to buy? $50,000.00

II-B How much money do you have for "down payment"? $10,000.00

(What is the source of these funds? Money left to Betty when her father died.)

II-C How much money do you need for closing costs? (This includes bank points, legal fees, prorated taxes, insurance, etc.) $900.00

II-D How much money do you need to finance? (Subtract II-B from II-A and enter here.) $40,000.00

II-E Monthly Financing Costs

Enter Financing Amount $40,000.00 (II-D)
Enter Interest Rate 6.5% (From bank or lender)
Enter Terms FmHA 30 year fixed rate

What is your monthly Mortgage Payment? (See Appendix A-3 to determine monthly payment) $253.00

We made some guesses on this information. First guess was that Betty would be able to buy her condo for $50,000.00 rather than the $53,000.00 asking price. But as we said earlier, other condos of the same size have sold for that price so we can guess Betty's will be the same.

Second, we guessed that the condo closing costs would be about $900.00 and as our story says, Ann, Betty's sister, will cover these costs for her. If she didn't, Betty would have to use some of her father's money to pay these costs, which means that she would have to finance more from FmHA and her monthly Mortgage Payments would be slightly higher. So we now know Betty will be getting a loan from FmHA for $40,000.00.

But how did we come up with the "monthly Mortgage Payment"? For that you need to look up the Appendix A-3 form - "Monthly Payment Schedule". Simply follow along the top to $40,000.00, then down the left side under the "Rate" section to "6.5%" and across to below $40,000.00 and you will see the monthly payment is about $253.00.

Expenses

Now we need to look at what expenses Betty will have in her new home. Without this information we could be making a very big mistake on Betty's behalf. So let's continue our story with some added information:

> Since some of the condos are currently occupied, the developer was able to provide some pretty accurate estimates of the costs. Here's what they provided: Taxes: $1,200.00 per year ($100.00 per month), heat: $50.00 per month, electricity:

$35.00 per month, insurance: $25.00 per month, and condominium fees: $50.00 per month.

Additionally, Betty will need to plan for phone service ($18.00 per month) and Cable TV ($20.00 per month) but as we said, Alice will be paying for one half of these. That means Betty's costs will be $9.00 per month for phone and $10.00 per month for Cable TV.

Betty will also be paying a monthly condo fee, which will cover the snow removal, building exterior maintenance, lawn service, landscaping and any other things around the outside of the building. As part of the $50.00 per month fee she also gets her insurance paid for, except for the inside of the condo. That's why her insurance is so low.

And lastly, Betty should put aside some money each month for the future replacement of things like her refrigerator, dishwasher, carpets, etc. Although money will be tight, it's strongly suggested that she put aside at least $10.00 per month for these things. (She'll have to watch not to save too much so that she doesn't risk losing her benefits!)

So here's what our "Part III - Monthly Housing Expense section looks like:

Part III **Monthly Housing Expenses**	**Monthly Expense**
III-A Taxes (How much are the yearly property taxes? Divide the yearly amount by 12 and enter here.)	$100.00
III-B Insurance (How much will your yearly property insurance costs be? Divide the yearly amount by 12 and enter here.)	$25.00
III-C Heat (How much will heat cost you per month? Your heating company can provide you with a monthly budget.)	$50.00
III-D Electricity (How much will electricity cost you on a monthly basis? Write down the average monthly cost.)	$35.00
III-E Telephone (How much is your monthly phone bill? Does it include long distance calls? If	

	not, you may want to increase the amount.)	$9.00
III-F	Cable Television (If you plan to have cable TV, how much is the monthly charge? Do you plan to have any additional services, like HBO, etc.?)	$10.00
III-G	Repairs, maintenance (You should plan to budget each month for things that will need to be repaired during the year, including windows, lawn care, snow removal, painting, etc. It is recommended that you budget at least .43 per square foot per year of living space in the house. Total square feet_____ X .43 divided by 12.)	$50.00
III-H	Replacement, reserve (You will need to budget each month for the replacement of major items in your house such as a roof, exterior painting, appliances, etc. The older the house the larger the monthly amount.)	$10.00
III-I	**Monthly Housing Expenses**	$289.00

Let's once again review these amounts. The taxes are estimated at $1,200.00 per year. To get the monthly amount we divide $1,200.00 by 12 months which equals $100.00 per month. Several of the cost estimates were provided by the developer of the condo so we assume they are pretty accurate. They include insurance: $25.00, heating: $50.00, electricity: $35.00. We also know that the condo fees are $50.00 per month, so Betty won't have to worry about any exterior maintenance, repairs or insurance.

And we know that Alice will be paying for one half of the phone and Cable TV costs so we only need to plan for half the expense as Betty's.

What Can You Afford?

Now we have sufficient information to assist Betty, with help from her sister Ann and friend Alice, in making some decisions about whether she can afford to buy the condo. First we need to

transfer information we've collected to Part IV of the form. The completed section looks like this:

Part IV
What Can You Afford?

IV-A	Enter your Monthly Mortgage Payment (II-E)	$253.00
IV-B	Enter your Monthly Housing Expenses (III-I)	$289.00
IV-C	Total Monthly Housing Expenses (IV-A + IV-B)	$542.00
IV-D	Enter your Monthly Income (I-F)	$957.00
IV-E	What is 50% of this monthly income? (one-half of line IV-D)	$478.50

Question	**Circle one**
❑ Is the amount of your Total Monthly Housing Expenses (line IV-C) greater than 50% of your Monthly Income (line IV-E)?	Yes No

Let's now take a look at our question. Is the amount of Betty's Total Monthly Housing Expense greater than 50% of her Monthly Income? The answer is "Yes" because $542.00 is greater than $478.50 by $63.50 per month.

So the question is, "Can Betty afford to buy the condo?" We need to move to the Comment section for the answer. The first "Comment" looks like this:

Part V
Comments

❑ If you answered "No" to the question about your Monthly Housing Expenses being greater than 50% of your Monthly Income, you may be able to purchase the property. You may also be eligible for financial assistance from a lending source like the Illinois Housing Finance Agency, Farmer's Home Administration, etc. Contact those offices or your local housing authority for further assistance.

Well, we answered "Yes" to the question, so this comment

doesn't apply. And we know that Betty may be eligible for a low interest mortgage (6.5%) from the Farmer's Home Administration. So we need to go on to the next comment.

- ❑ If you answered "Yes" to the question about your Monthly Housing Expenses being greater than 50% of your Monthly Income, you will most likely need some type of additional financial assistance, mortgage assistance or subsidy or other sources of income if you want to buy that particular place. If that assistance is not available you may not be able to afford to buy that property. We strongly recommend that you talk with others before you make that decision.

Well, we did answer "Yes", Betty's Monthly Housing Expenses would be greater than 50% of her Monthly Income, which means there is a problem with her purchasing that condo. **Without some other source of income, she should not buy this particular place.**

Some Suggestions For Betty

That's pretty disappointing after all of the hard work you and I put into this story, so let's look to find out if there are any possible solutions to the problem. As our "Comment" suggests, we strongly recommend that Betty talk with others before she makes the decision to buy. Here are some suggestions that may help her:

1. Betty could have someone provide her with an additional subsidy of $63.50 per month. If she's involved in a community support program, she may be eligible to receive assistance from the State of Illinois. Chances are she will be receiving support services (personal care attendants, skills training, etc.) anyway, so they may want to consider a "mortgage subsidy" of $63.50.

2. Betty could increase her work hours at the hospital. Since we know Betty works part time, she may be able to increase her hours enough to earn $63.50 more per month. She would have

to carefully plan out some estimates with perhaps the local Protection and Advocacy Agency to make sure she would not lose her benefits by earning more money.

3. Betty could consider renting out her third bedroom to another person. Since Betty and Alice have decided to live together, this decision won't be made by Betty alone. Since Centerville has a small community college it may be possible for Betty to rent out a room to a college student who might be interested in providing some of her personal care services in exchange for a reduction in rent. For example, Betty could rent out the room for $125.00 month, more than enough to cover her $63.50 plus the added utility costs with another roommate. In exchange for the reduced rent the student could assist Betty with some of her daily needs.

4. Betty's sister Ann could provide her with some financial assistance. Chances are Ann was providing a great deal of financial help when Betty lived with her so she may be able to provide her with $63.50 per month.

   It will be important for Ann to realize that there are some things she can pay for that would help Betty, without jeopardizing her SSI benefits. For example Ann could pay for Betty's phone service, her Cable TV service or perhaps her monthly condo fees. These are not considered "shelter costs", so Betty may not lose any benefits. Of course, they should discuss this issue with the SSI office or their local Protection and Advocacy Office before making that decision.

5. Betty could charge Alice more rent. Alice was paying $350.00 per month for her own apartment, plus her own utilities. If Alice contributed more Betty would be in better financial condition. However, since Alice is Betty's friend that decision will be very difficult.

6. If all else fails with this particular property, Betty could look for a house that is cheaper to buy. If she were to buy a house for less money she may lower her monthly mortgage payment enough to live somewhere else.

A Few Other Thoughts For Betty

Although any of the above situations may solve Betty's home buying problem, there are other things that Betty may want to consider before she makes this important decision.

Furniture - Since Betty can have no more than $2,000.00 in cash and other assets, she will have a difficult time being able to buy furniture for her new home. There are many non-profit housing and social service agencies that may be able to assist her. It is also quite possible that Alice has furniture from her previously rented apartment that she may be able to contribute.

Lease - Betty will want Alice to sign at least a one year lease on her rented room because without the rental income, Betty will not be able to pay the expenses of her condo.

Assistance - Betty will most likely need assistance in managing her money. Since she has never owned a house before it is likely she will need someone to assist her in following her budget and paying her bills, including her mortgage payment, on time. Many communities offer this type of assistance through local housing authorities and social service agencies.

Summary

In this Chapter we began talking about the importance of budgeting for any place you want to live. We then tested out our budgeting forms by reviewing a sample budget for John and Fred to rent an apartment. Finally, we went through the long process of figuring out whether Betty could afford to buy a condo closer to work and the community she likes. Although her friend Alice wanted to live with her and share expenses, Betty did not have the money she needed monthly basis to pay the expenses associated with owning the house she wanted. We offered some suggestions on

how Betty could improve her financial ability to buy the place she wanted.

In the next and last Chapter we will review several programs that are available in the State of Illinois, to assist you in renting or buying a place of your own.

Chapter Six

Housing Help In Illinois

Housing Help In Illinois

This Handbook has shown that finding a place to live and paying for it, can be complicated for anyone. Few of us have the "down payment" money, the monthly income or control over other housing costs like taxes, utilities or insurance, to live anywhere we want.

For many people with disabilities, whose only source of income is limited to SSI and a small amount of earnings from employment, finding "affordable" housing can be difficult. Where most Americans plan on spending 25-35% of their income on housing, people with disabilities must often spend 50-60% of their limited income just to meet their basic housing expenses. Without assistance, control over a place to call home, will be beyond reach.

It is important to know about the many fine groups working in Illinois on behalf of people in need of affordable housing. Federal, state, county and local housing agencies are working to bring about changes that will make low cost housing more available. These efforts along with private investor groups, families, housing authorities and non-profit housing development organizations offer a great deal of hope for the future.

This Chapter is about a few of the more important programs in Illinois that offer help to people in need of affordable housing. A longer list of organizations is in Appendix B.

Working With A Housing Group

Throughout the Handbook, we have encouraged you to seek assistance in locating affordable housing. Real estate is complicated

stuff and there are few people who fully understand all of the options available. Being able to find a house you can afford, apply for a mortgage or arrange for utility services can be quite confusing. It is important to talk with family and friends about your housing needs, but the best sources of help are often those who know housing best. Thankfully, there are many organizations in Illinois which specialize in housing services. Some even concentrate on providing housing services for people with disabilities.

Many of the best housing organizations in Illinois are non-profit, meaning they don't develop housing just to make more money. They are usually the best ones to work with because they are able to get money from a variety of places that others can't. Non-profit housing groups can apply for a wide variety of money programs (like grants, bonds, tax credits, subsidies, etc.), then use those resources to buy, sell or rent affordable housing. Because they aren't in housing for profit, more of the money they create is used to make housing less expensive.

You can benefit from working with local non-profit housing development groups. Many agencies offer rental subsidies (money to help pay your rent and utilities), low interest mortgage loans (money to buy a house for less) and low cost rental units (apartments that you can afford). We strongly encourage you to contact as many of these agencies as you can. They will be of great value in locating a place of your own.

Subsidy Programs

When someone gets a **subsidy** they are getting a cash payments that is used for a specific purpose. In our case we are talking about **rental subsidies** or those used to help someone with

rent.

There are a variety of rental subsidies available in Illinois. Here's a quick summary of those who offer subsidies:

Federal Government - Under the Department of Housing and Urban Development (HUD) you can apply for and receive "Section 8" rent subsidies or "vouchers". With either of these programs, you may only have to pay 30% of your earnings for your housing costs. For more information contact your local housing authority or check with your support staff.

Farmer's Home Administration (FmHA) - This is another Federal program that offers rent subsidies to those who live in small towns and rural areas. Just like Section 8 subsidies above, most people receiving FmHA subsidies never pay more than 30% of their income toward housing costs. Contact your local FmHA office for more details.

Illinois Department of Mental Health and Developmental Disabilities (DMHDD) - This state organization offers many forms of subsidy, but unfortunately most are attached to a particular building (for example a group home) or a program provider rather than to the person in need of assistance. Under a new program called "Community Integrated Living Arrangements" or CILA for short, you can receive rent or mortgage subsidies for a place of your own, so long as the program plan developed for you spells out the place you choose to live. Contact your program manager or case manager for assistance.

Local Governments - Some county and other local government offices provide rental assistance programs. Usually, the amounts are very small because they are designed to work with the other programs mentioned above. Check with your local county office or city office on housing issues.

Low Interest Mortgage Loans

As we saw with our story about Betty and Alice, being able to buy a house on your own can be very difficult without some

assistance from others. One of the best ways to make housing more affordable for people with limited incomes is to provide a **low interest mortgage loan**. Simply put, the lower the interest rate on a mortgage loan, the less it will cost you for the loan each month.

In Chapter 4, "**Fundamentals of Real Estate**", we showed how important a lower interest rates is on a $40,000.00 mortgage (See page 46). At 7.5% on a 30 year mortgage the payment is $279.69 per month while at 10%, the same $40,000.00 will cost $351.03 per month. So it is very important for you to know about low interest mortgage loans and where to get them. Here are a few Illinois resources worth considering:

Farmer's Home Administration (FmHA) - Like several other Illinois State programs, this federal program offers a **First Time Homebuyer Program**. Under this program individuals who have limited incomes and have not owned a home before, may be eligible for reduced mortgage interest rates. Another big benefit to this program is that you may not have to put much money down when you buy a home. If you are interested contact your local office of FmHA.

Illinois Housing Development Authority (IHDA) - This statewide housing agency offers another form of a **First Time Homebuyer Program**. If you qualify for the program, you may be able to get very low interest rate financing with very little down payment required (sometimes as little as 5%). Recently, this organization has also expressed a strong desire to create affordable housing for people with disabilities. Contact IHDA in Chicago.

Local Non-Profit Housing Groups - There are many, many local non profit housing groups that specialize in making housing more affordable for people with limited incomes. Some of these groups have worked with private financing sources (foundations, bonds, community loan funds, etc.) to make low interest loans to people seeking housing. Check with your

local city office on housing, public housing authority or housing advocacy organizations for a complete list of organizations in your area.

Summary

Most people with disabilities will need some type of assistance if they want to create affordable housing of their own. In this Chapter we talked about ways you can access both rental subsidies as well as low interest mortgage rates. We also talked about the need to work with local non-profit housing organizations, who have many resources to offer. As we have discussed throughout this Handbook, **it is important for you to work with others, including family, friends and others who know about or have experience in housing, if you want to create your own home.**

Appendix

A

Budgeting for the Place You Rent

Budgeting for the Place You Own

Monthly Payment Schedule

Appendix A-1

Budgeting For The Place You Rent

Anytime you decide to rent an apartment, duplex, single family home or condominium, you will need to outline a budget. This budget form is designed to help you plan for your "**housing costs**" (those things listed below) and not your other daily living costs (like food, clothing, transportation, recreation, etc.). Daily living costs need to also be budgeted separately.

Part I
Sources of Income — **Monthly Income**

- ❑ Social Security (How much is your monthly SSI, SSDA, or Survivors benefit check?) _____
- ❑ Wages earned (How much money do you make per month at work? If you are paid weekly take the amount you take home per week times four.) _____
- ❑ Rent subsidies (How much rent subsidy do you receive on a monthly basis from Section 8, FmHA, CILA, DMR, local aid, or family?) _____
- ❑ Other income (Do you have any other source of steady income on a monthly basis? If so, how much is it?) _____
- ❑ Housemate's share (If you have a housemate, will that person be contributing to your monthly housing expenses? If so, how much?) _____

Total Monthly Income _____

Part II
Monthly Housing Expenses — **Monthly Expenses**

- ❑ Rent (How much is your monthly rental payment to the landlord?) _____
- ❑ Heat (If your landlord does not include heat in your rent, how much will heat cost you per month?) _____
- ❑ Electricity (How much will the electricity cost you on a monthly basis? Write down the average monthly cost.) _____

- ❑ Telephone (How much is your monthly phone bill? Does it include long distance calls? If not, increase the amount.) _____

- ❑ Cable Television (If you plan to have cable TV, how much is the monthly charge? Do you plan to have any additional services, like HBO, etc.?) _____

- ❑ Repairs, replacements (You should plan to budget a small amount each month for things that can go wrong in your rented home, like lightbulbs, new lamps, cleaning materials, etc.) _____

Total Monthly Housing Expenses _____

Part III
Comparing Income and Expense

- ❑ Total Monthly Income (From Part I) _____

  What is 30% of monthly income? (.30 x amount) _____

  What is 50% of monthly income? (.50 x amount) _____

- ❑ Total Monthly Housing Expense (From Part II) _____

Circle one

- ❑ Is the amount of your Monthly Housing Expense greater than 30% of your Monthly Income? Yes No

- ❑ Is the amount of your Monthly Housing Expense greater than 50% of your Monthly Income? Yes No

Part IV
Comments

- ❑ If you answered "Yes" to the question about your Monthly Housing Expenses being greater than 30% of your Monthly Income, you may be entitled to some financial assistance or rent subsidy. Contact your housing authority or CILA services coordinator for assistance.

- ❑ If you answered "Yes" to the question about your Monthly Housing Expenses being greater than 50% of your Monthly Income, you will most likely need some type of additional financial assistance, rent subsidy or other housemates if you want to rent that particular place. If that assistance is not available you may not be able to afford to rent that property. We strongly recommend that you talk with others before you make that decision.

Appendix A-2

Budgeting For The Place You Want To Buy

Before you make the decision to buy a particular piece of property, whether it is a single family house, townhouse, duplex or condominium, you should outline a budget based on your income and expenses. This budget form is designed to help you plan for your monthly "**housing expenses**" (including those listed below). You will have other costs associated with daily living (like food, clothing, transportation, recreation, etc.) that must be budgeted separately. It is strongly recommended that you discuss this form with others before you agree to buy any piece of property.

Part I
Sources of Income **Monthly Income**

I-A Social Security (How much is your monthly SSI, SSDA, or Survivors benefit check?) _____

I-B Wages earned (How much money do you make per month at work? If you are paid weekly take the total amount you make per week times four.) _____

I-C Mortgage subsidies (Are you entitled to any mortgage subsidies? How much are they on a monthly basis?) _____

I-D Rent subsidies (Will you be renting out any rooms to others? Will renters be entitled to receive rent subsidies? If so, how much will the subsidy be on a monthly basis?) _____

I-E Other income (Do you have any other source of steady income on a monthly basis? If so, how much?) _____

I-F **Monthly Income** _____

Part II
Property Costs

II-A What is the cost of the property you want to buy? _____

II-B How much money do you have for "down payment"? _____
(What is the source of these funds?_____
_____)

II-C How much money do you need for closing costs? (This includes bank points, legal fees, prorated taxes, insurance, etc.) _____

II-D How much money do you need to finance? (Subtract II-B from II-A and enter here.) _____

II-E Monthly Financing Costs

Enter Financing Amount _____(II-D)
Enter Interest Rate _____(From bank or lender)
Enter Terms_____
What is your monthly Mortgage Payment? (See Appendix A-3 to determine monthly payment) _____

Part III

Monthly Housing Expenses	**Monthly Expense**
III-A Taxes (How much are the yearly property taxes? Divide the yearly amount by 12 and enter here.)	_____
III-B Insurance (How much will your yearly property insurance costs be? Divide the yearly amount by 12 and enter here.)	_____
III-C Heat (How much will heat cost you per month? Your heating company can provide you with a monthly budget.)	_____
III-D Electricity (How much will electricity cost you on a monthly basis? Write down the average monthly cost.)	_____
III-E Telephone (How much is your monthly phone bill? Does it include long distance calls? If not, you may want to increase the amount.)	_____
III-F Cable Television (If you plan to have cable TV, how much is the monthly charge? Do you plan to have any additional services, like HBO, etc.?)	_____
III-G Repairs, maintenance (You should plan to budget each month for things that will need to be repaired during the year, including windows, lawn care, snow removal, painting, etc. It is recommended that you budget at least .43 per square foot per year of living space in the house. Total square feet_____ X .43 divided by 12.)	_____

III-H Replacement. reserve (You will need to budget each month for the replacement of major items in your house such as a roof, exterior painting, appliances, etc. The older the house the larger the monthly amount.) _____

III-I **Monthly Housing Expenses** _____

Part IV
What Can You Afford?

IV-A Enter your Monthly Mortgage Payment (II-E) _____

IV-B Enter your Monthly Housing Expenses (III-I) _____

IV-C Total Monthly Housing Expenses (IV-A + IV-B) _____

IV-D Enter your Monthly Income (I-F) _____

IV-E What is 50% of this monthly income? (one-half of line IV-D) _____

Question	**Circle one**
❑ Is the amount of your Total Monthly Housing Expenses (line IV-C) greater than 50% of your Monthly Income (line IV-E)?	Yes No

Part V
Comments

❑ If you answered "No" to the question about your Monthly Housing Expenses being greater than 50% of your Monthly Income, you may be able to purchase the property. You may also be eligible for financial assistance from a lending source like the Illinois Housing Finance Agency, Farmer's Home Administration, etc. Contact these offices or your local housing authority for further assistance.

❑ If you answered "Yes" to the question about your Monthly Housing Expenses being greater than 50% of your Monthly Income, you will most likely need some type of additional financial assistance, mortgage assistance or subsidy or other sources of income if you want to buy that particular place. If that assistance is not available you may not be able to afford to buy that property. We strongly recommend that you talk with others before you make that decision.

Appendix A-3

Monthly Payment Schedule
(30 year financing)

The following is a summary of the principal and interest charges for various amounts of money at different interest rates. The amounts are rounded to the nearest dollar amount.

RATE	MORTGAGE AMOUNT					
	$35,000	$40,000	$45,000	$50,000	$55,000	$60,000
10.5%	$320	$366	$412	$457	$503	$549
10.0%	$307	$351	$395	$439	$483	$526
9.5%	$294	$336	$378	$420	$462	$505
9.0%	$282	$322	$362	$402	$443	$483
8.5%	$269	$308	$346	$384	$423	$461
8.0%	$257	$294	$330	$367	$404	$440
7.5%	$245	$280	$315	$350	$385	$420
7.0%	$233	$266	$299	$333	$366	$399
6.5%	$221	$253	$284	$316	$348	$379
6.0%	$210	$240	$270	$300	$320	$360

How To Use This Table

1. Determine the "Mortgage Amount" needed. Find that amount along the top line (between $35,000 and $60,000) and circle that amount.

2. Find the "Interest Rate" you will be charged along the left side of the chart and circle that amount.

3. Move your finger across the table from the "Interest Rate" until you are directly under the "Mortgage Amount". That amount is the monthly amount of your Principal and Interest payments.

Example

Let's assume you are buying a $65,000 house and will need financing for $55,000. You are applying for a loan from the Illinois Housing Development Agency (IHDA) under their First Time Home Buyer's Program with an interest rate of 7%. Your monthly payment will be $366.00

Appendix

B

Housing Programs in Illinois

Appendix B

Illinois, like many other states, has many housing programs that can be used to **buy** a home or find affordable **rents**. In this section of the Handbook we will outline the major housing resources covered in this book. It does not include the many, many other small, non-profit neighborhood or local groups who are trying to use these and other resources to meet affordable housing needs.

Housing resources in Illinois

Illinois Housing Development Authority (IHDA) - 401 N. Michigan Avenue, Suite 900, Chicago, IL 60611 (312) 836-5200.

Farmers Home Administration (FmHA) - You can contract your local FmHA office by looking in your phone book under **United States Government, Farmers Home Administration** or contact your local county housing office for assistance. Ask about either the 502 or the 515 Homebuyer program.

The Illinois Department of Mental Health and Developmental Disabilities(DMH/MR) - 401 William Stratton Office Building, Springfield, IL 62706 - (217) 782-7179 or in Chicago at 100 West Randolph St., Suite 6-400, Chicago, IL 60601 - (312) 814-3636

HUD Section 8 Rent Subsidies - Contact your local (city or county housing authority office for assistance or the Illinois Housing Development Authority (IHDA) listed above.

Organizations that may be able to help

Access Living of Metropolitan Chicago - 310 South Peoria, Suite 201, Chicago, IL 60607 (312)226-5900 (voice) (312) 226-1687 (TDD)

Statewide Housing Action Coalition - 202 South State, Suite 1414, Chicago, IL 60604 (312) 939-6074

Chicago Rehab Network, 53 West Jackson, Suite 1140, Chicago, IL 60604

Office of Economic Development Programs, Department of Commerce and Community Affairs, 620 East Adams St., 5th Floor, Springfield, IL 62701 (for non-profit assistance)

Shared Housing Programs - c/o the Resource Center, 306 West Park Street, Arlington Heights, IL 60005

Council for Disability Rights - 208 South Lasalle, Chicago, IL 60604 (312) 444-9484

Other organizations mentioned

Social Security Administration - Check your local telephone book under, "**United States Government, Social Security Administration**"

The Illinois Planning Council on Developmental Disabilities, 100 West Randolph, Suite 10-600, Chicago, IL 60601 - (312) 814-2080, (312) 814-7151 (TDD) or 830 South Spring Street, Springfield, IL 62704 - (217) 782-9696